

Fiscal Note

State of Alaska
2016 Legislative Session

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| Bill Version: | HCS CSSB 74(FIN) |
| Fiscal Note Number: | 49 |
| (H) Publish Date: | 4/11/2016 |

Identifier: SB074HCSCS(FIN)-DHSS-FI-4-8-16
Title: MEDICAID REFORM;TELEMEDICINE;DRUG
DATAS
Sponsor: KELLY
Requester: House Finance

Department: Department of Health and Social Services
Appropriation: Public Assistance
Allocation: Fraud Investigation
OMB Component Number: 237

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

| | FY2017 Appropriation Requested | Included in Governor's FY2017 Request | Out-Year Cost Estimates | | | | |
|------------------------|--------------------------------------|--|-------------------------|------------|------------|------------|------------|
| OPERATING EXPENDITURES | FY 2017 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| Personal Services | | | | | | | |
| Travel | | | | | | | |
| Services | 980.0 | | | | | | |
| Commodities | | | | | | | |
| Capital Outlay | | | | | | | |
| Grants & Benefits | | | | | | | |
| Miscellaneous | | | | | | | |
| Total Operating | 980.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Fund Source (Operating Only)

| | | | | | | | |
|----------------|--------------|------------|------------|------------|------------|------------|------------|
| 1002 Fed Rcpts | 61.2 | | | | | | |
| 1004 Gen Fund | 918.8 | | | | | | |
| Total | 980.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Positions

| | | | | | | | |
|-----------|--|--|--|--|--|--|--|
| Full-time | | | | | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

Change in Revenues

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| | | | | | | | |
|--|--|--|--|--|--|--|--|

Estimated SUPPLEMENTAL (FY2016) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed? n/a

Why this fiscal note differs from previous version:

Updated bill section references. Implementation is now scheduled for FY2018. Costs have been adjusted to reflect the inclusion of a remote identity proofing requirement.

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Agency: Health and Social Services

Phone: (907)465-5847
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Date: 04/08/16

**REPORTED OUT OF
HFC 04/11/2016**

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

Section 32 of the proposed legislation directs the department to establish an enhanced computerized income, asset, and identity verification system that uses remote identity proofing through multiple layers of authentication in order to deter fraud and eliminate duplication of public assistance benefits. The department is directed to procure the system through a competitive contract with a third party vendor. The annual savings to the state resulting from the system must exceed the cost of the system.

Assumptions:

The system will be web-enabled and interface electronically with the department's eligibility and enrollment system. Following a competitive process, the selected system will be implemented in FY2018, to allow the interface to begin after full implementation of the division's new eligibility and enrollment system, ARIES.

This is considered to be a two-year pilot period so that by January 1, 2020, the cost/benefit of the implementation of this system will be evaluated. If it's determined annual savings to the state resulting from the system isn't exceeding the cost of the system, it will be discontinued.

The contracted systems cost will be based on the number of inquiries (encounters) submitted to the system. The estimated cost per encounter is 60 cents. The anticipated savings for the cost avoidance will be used to offset the costs of the system.

The department received federal financial participation to fund the existing 12 interfaces (two state and ten federal) that provide an array of information to verify residency, citizenship, incarceration, felons, date of death, child support, intentional program violations in another state, identity and income. We anticipate very little federal financial participation for this new system because it duplicates many of these functions.

Under 42 Code of Federal Regulations (CFR), states do not have the authority to deny or terminate Medicaid eligibility because an individual fails to complete an identity proofing process. Federal SNAP regulations at 7 CFR 273.2 list very specific types of verification that can be mandated to verify identity. The regulations do not allow states to require identity proofing prior to determining eligibility.

Because both Medicaid and SNAP prohibit delaying benefits due to remote identity proofing, the department will check for potential identification issues once the client has passed the first phase of this new verification system and is determined eligible. Possible identification issues will then be followed up by a staff person from the Fraud unit.

In addition, the Division's current ARIES system will be modified to include identity authentication through its self-service portal that will interface with the applicant in the application process. Since both Medicaid and SNAP do not allow for any delay regarding identification, applicants can opt out.

The department will not require remote identity proofing for applications filed via a paper application. Remote identity authentication is a data security safeguard and, as such, will be used for online applications only.

One-Time cost:

ARIES related changes (interface design, security setup to allow single sign on, potential page display within ARIES, testing, and training for both applicants and staff): \$500.0

State implementation costs (process define, documentation updates, user acceptance testing, training, heightened support during implementation, potential IV&V support) \$450.0